



STUART + CARLYON

Financial advisers for your lifetime goals

Our Investment Philosophy

Blame the endless headlines of global financial gloom and budget impasses, but it seemed to us that now was a really good time to clearly re-state our investment and financial planning philosophy here at Stuart + Carlyon.

Our philosophy is to help clients reach their goals and then maintain their wealth and income throughout retirement. Understanding our role is the first step. We can't control the ups and downs of the markets; interest rates, share prices and currency are constantly changing. We want our clients to focus on the things they can control.

- Set in place a structured asset mix
- Take the risks you feel comfortable with
- Ensure those risks carry a reliable reward
- Stay diversified
- Keep your costs and taxes as low as possible
- Stay on track

In essence this approach asks you to acknowledge some basic investment principles (for example of knowing the difference between investment versus speculation,) and to understand your own comfort level with risk.

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The actual mix of your investment portfolio depends very closely on your tolerance for risk. We call this the “Defensive vs Risky” split. Some people cannot sleep at night even knowing their money is in a bank vault. Others can't sleep at night unless their money is piling up high, but much riskier, returns. So the split depends very much on you.

Defensive

- Cash and investment grade fixed interest
- Regular income, more capital stability and no growth

Risky

- Shares and property
- Growing income, capital gains but potential capital losses

How much you have in each sector depends on more than your comfort level. It also depends on you:

- Age or life stage
- Goals (short and long term)
- Needs
- Current financial resources
- Risk required to achieve your goals

There is no one “correct mix”. Your portfolio is tailored, as best we can, to your specific circumstances. In general terms we build a portfolio layer by layer, starting with a secure base of cash and corporate bonds and building on top of this different layers of investment types – whether property or shares. Within these layers the structure is further refined. For shares, how much in large companies, small companies or value companies (low price relative to book value) will be a key determinant of long term return and risk. How much locally and overseas? How best to access these markets – through managers or low cost index funds?

There's a third key to a sound investment philosophy which helps us select the portfolio. If knowing the fundamental principles of investment, and knowing your own risk profile are essential – so is knowledge of your own specific goals. What's your timeframe? How much retirement income will you need?

Having never accepted commissions, we are free to consider a wide range of investments backed by research:

- Morningstar research for managed funds
- Credit ratings for bonds
- Share broker research for listed companies including listed property

Our philosophy shies away from highly active buying and selling within volatile markets. Market timing is highly speculative. However we do closely monitor general performance and will tweak the portfolio from time to time to realign it. We are also mindful that management fees and broker commissions can erode portfolio value, and our overall strategy looks for ways to lessen these costs.



Retirement's not what it used to be

By Susanna Stuart

The importance of active retirement actually snuck up on me quite unexpectedly via the Auckland Film Festival. What a wonderful way, in the middle of winter, to travel around the world; all from the marvellous grandeur of the Civic Theatre.

We saw some dramas but this year we chose three documentaries and the subject of each movie - it turned out - was an individual in their 80s.

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First stop Japan. In *Jiro Dreams of Sushi*, Jiro Ono, a sushi chef, has won three Michelin stars for his little Tokyo restaurant which seats only 12 people. But what stands out is his ability to take humble sushi beyond the sublime. He has been making sushi since age 10, and now, 75 years later he still works relentlessly to improve his skills and surpass his best.

Now a movie in New York City (*Bill Cunningham New York*) where photographer Bill Cunningham goes out each day on his push bike, and captures for the New York Times the look and feel of what people are wearing on the streets. He has chronicled this for more than 40 years and at age 82 he continues to inspire the fashion industry - unerringly spotting trends before the 20-somethings who work for the glossy magazines.

The movie *Sing Your Song*, is a documentary about Harry Belafonte. I was expecting the movie to focus on the actor singer's artistic heyday, 50 years ago. Yet more than anything the movie focused on his civil rights campaigning which continues, energetically, right up to the present. Born in 1927, he is now firmly in his 80s - handsome as ever - and an ardent, vocal critic of injustice. Inspirational.

A common thread runs through these stories. Each individual is very humble, and in many ways they have stripped away the superfluous things in their lives in order to focus on their passion. They are sure of themselves and yet endlessly inquisitive about the world around them.

This description fits a client of ours Professor Patrick Lacey who, unfortunately, died on July 24th aged 90. Right up to the end his mind was lively, playful and formidably intellectual. A professor of Classics at Auckland University he inspired legions of students with his knowledge and passion for the stories and achievements (and no doubt the scandals) of Ancient Greece and Rome.

Life dealt Patrick Lacey some tragic blows. He and his late wife lost three of their four sons in an accident but he was never bitter, and his humour always buoyed others up through his work with Meals on Wheels, the Classics Association, the parish of St Andrew's Anglican Church and his ongoing contact with former students who continued to relish his wit and his encouragement. Virtually to the end he was still recording death notices for the blind. He was not only a devout Anglican - he was a devout fisherman too, and his smoked trout was legendary: a source of great pride.

He had been my client since 1986 - a quarter of a century - and had loyally stayed with me through my own career moves. When we went through the Securities Commission red tape of becoming 'authorized advisers', Patrick was the first to write in with a testimonial. Each quarter when we publish this newsletter, Prof Lacey would phone up or drop a note to let us know how much he enjoyed the read.

What a privilege to witness the energy, compassion and enthusiasm of the Professor Lacey's of this world. This month I've seen the prospect of entering one's 80s and 90s with fresh eyes. We'll miss his phone call.



Scene from *Bill Cunningham New York*, a film by Richard Press

New staff

We have recently farewelled two staff members: Sue Baldwin and Louise O'Brien. Both were mentored in our firm and they each achieved the qualifications of CFP and AFA: a reflection of their hard work and commitment to the financial planning profession. Both have progressed to another firm, with our very best wishes.

Filling the professional support roles here at Stuart + Carlyon at the end of August are two individuals who impressed us for their experience and qualifications. Shahul Dhoray (pronounced Sha-hool Door-ray) trained as a graduate with an accounting firm. Joining him is Tracy Sherwood who has previously been in adviser support at share broker J B Were. Both have a good mix of outlook and skills and bring with them a very client-focused approach.